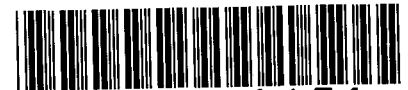


ORIGINAL



0000121671

1 Steve Wene, State Bar No. 019630
2 MOYES SELLERS & SIMS LTD.
3 1850 N. Central Ave., Suite 1100
4 Phoenix, Arizona 85004
5 Telephone: 602-604-2141
6 swene@lawms.com

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2010 DEC 29 P 3:56

AZ CORP COMMISSION
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 KRISTIN K. MAYES, CHAIRMAN
11 GARY PIERCE
12 PAUL NEWMAN
13 SANDRA D. KENNEDY
14 BOB STUMP

Arizona Corporation Commission

DOCKETED

DEC 29 2010

DOCKETED BY

15 **CONSOLIDATED APPLICATION OF**
16 **EAST SLOPE WATER COMPANY,**
17 **INC.; INDIADA WATER COMPANY,**
18 **INC.; and ANTELOPE RUN WATER**
19 **COMPANY FOR AN PERMANENT**
20 **INCREASE IN ITS WATER RATES**

Docket Nos. W-01906A-10-0171
W-02031A-10-0171
W-02327A-10-0171

**MOTION REGARDING
SUFFICIENCY OF RATE
APPLICATION**

(hearing requested)

21
22 On or about April 30, 2010, East Slope Water Company, Indiada Water Company,
23 and Antelope Run Water Company ("Companies") submitted an application for a
24 permanent increase in water rates. Soon thereafter the Companies filed a finance
25 application requesting authority to incur debt to make system repairs and improvements.
26 On May 28, 2010 the Companies received a Letter of Deficiency requesting significant
27 changes to the rate application. On August 27, 2010 the Companies submitted its revised
28

1 rate application making changes requested by the Arizona Corporation Commission Staff
2 (“Staff”).
3

4 On or about September 27, 2010, the Companies received a Second Letter of
5 Deficiency. This second letter of deficiency listed engineering issues that did not relate
6 to the Companies’ rate application, but instead raised issues concerning the finance
7 application. *See* Attachment 1.¹ Put another way, Staff found the Companies’ rate
8 application insufficient because they wanted more information regarding the finance
9 application, **not** the rate application.
10
11

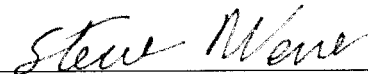
12 The Companies’ position is that the rate application is sufficient and should move
13 forward regardless of the finance application. If Staff believes the financing application
14 is insufficient, then it should make such a determination and request additional
15 information in the financing docket. But it should not withhold its finding of sufficiency
16 regarding the rate application. The Companies have discussed the issue with Staff
17 several times to determine how to move forward, but Staff has taken the position that
18 they will not find the rate application sufficient because their request for additional
19 information on the finance application has not been fulfilled.
20
21

22 Therefore, the Companies move this Court to find the information requested in
23 Staff’s deficiency letter is not required for the Companies rate application to be deemed
24 sufficient, and order that the rate application be found sufficient regardless of how Staff
25 treats the finance application.
26
27

28 ¹ The Accounting Issue identified in the List of Deficiencies has been addressed by the Companies. *See* Attachment 2.

1 RESPECTFULLY SUBMITTED this 29th day of December, 2010.

2
3 **Moyes Sellers & Sims**

4 
5 Steve Wene

6
7
8 Original and 15 copies of the foregoing
9 filed this 29th day of December, 2010, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington
Phoenix, Arizona 85007

13 Copy of the foregoing mailed this
14 29th day of December, 2010, to:

15 Robin Mitchell, Attorney
16 Legal Division
17 Arizona Corporation Commission
18 1200 W. Washington Street
Phoenix, Arizona 85007
19 rmitchell@azcc.gov

20
21 
22
23
24
25
26
27
28

ATTACHMENT 1

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



ARIZONA CORPORATION COMMISSION

Ernest G. Johnson
Executive Director

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2010 SEP 27 P 1:59

AZ CORP COMMISSION
DOCKET CONTROL

September 27, 2010

Ms. Sonn S. Rowell, CPA
Desert Mountain Analytical Services PLLC
PO Box 51628
Ahwatukee, Arizona 85076

RE: EAST SLOPE/ANTELOPE RUN/INDIADA CONSOLIDATED - APPLICATION FOR A
TRANSFER OF OWNERSHIP AND CONSOLIDATION OF RATES - DOCKET NOS. W-
01906A-10-0171, W-02327A-10-0171 AND W-02031A-10-0171

SECOND LETTER OF DEFICIENCY

Dear Ms. Rowell:

In reference to your joint application for transfer of ownership and consolidation of rates received on April 30, 2010, this letter is to inform you that none of the underlying rate applications upon which your application is based have met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff previously found that your application was deficient on May 28, 2010. The Company submitted information in response to that letter. The information submitted did not sufficiently or completely address some of the deficiencies. The continued deficiencies are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and 15 copies of the corrected pages.

You have 16 calendar days, or until October 13, 2010, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nancy L. Scott".

Nancy L. Scott, Esq.
Chief, Financial & Regulatory Analysis Section
Utilities Division

CC: Docket Control Center (fifteen copies)
Connie Walczak, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

**CONSOLIDATED
EAST SLOPE WATER COMPANY, INDIADA WATER COMPANY,
ANTELOPE RUN WATER COMPANY**

Rate Application

Docket Nos. W-01906A-10-0171, W-02031A-10-0171 and W-02327A-10-0171

Test Year Ended December 31, 2009

List of Deficiencies

Accounting Issues

1. The consolidated 5/8" x 3/4" metered customer bill counts do not produce the proposed consolidated meter revenues. Please reconcile.

Engineering Issues

2. Referring to a Preliminary Statement on page 2 of Finance Application, "The Company is seeking to finance improvements to **water production** and distribution systems, which will cost an estimated \$3,000,000.00." However, according to the Opinion of Probable Costs in Exhibit 1, there are no proposed improvements to water production. For clarification purposes please identify those items that specifically enhance water production and those items that are related to distribution.
3. In order for Staff to accurately evaluate the Finance Application, please provide a report prepared by the Company's Engineer. The report should include a map (a map should identify respective CC&Ns, a layout of existing plant by system and proposed improvements), analysis of each system deficiencies and recommendations of the most efficient and appropriate improvements with detailed description of the proposed construction cost and timeline.

ATTACHMENT 2

East Slope/Antelope Run/Indiada
Test Year Ended December 31, 2009

Revised Schedule A-1
Title: Computation of Increase in Gross
Revenue Requirements

Explanation:
Schedule showing computation of increase in
gross revenue requirements and spread of revenue
increase by customer classification.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Special Reqmt	<input type="checkbox"/>

	Original Cost	RCND
1. Adjusted Rate Base	\$ 274,479 (a)	(a)
2. Adjusted Operating Income	\$ (35,013) (b)	(b)
3. Current Rate of Return	-12.76%	
4. Required Operating Income	\$ 32,937	
5. Required Rate of Return	12.00%	
6. Operating Income Deficiency (4 - 2)	\$ 67,950	
7. Gross Revenue Conversion Factor	1.4158 (c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 96,202	

9. Proposed Revenue	\$ 754,112
10. Required Operating Margin	39.38%
11. Required Operating Income (9 x 10)	\$ 296,981
12. Operating Income Deficiency (11 - 2)	\$ 331,994
13. Gross Revenue Conversion Factor	1.4158
14. Increase in Gross Revenue Requirements (12 x 13)	\$ 470,029

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase	
Residential	\$ 264,090	\$ 688,542	\$ 424,452	160.72%	(d)
Commercial	16,269	61,846	45,577	280.15%	
Industrial	-	-	-	0.00%	
Other	3,724	3,724	-	0.00%	
Totals	\$ 284,083	\$ 754,112	\$ 470,029	165.45%	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

East Slope, Antelope Run, Indiada Consolidated
Test Year Ended December 31, 2009

REVISED Schedule: H-1
Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates

Explanation:
Schedule comparing revenues by customer classification for
the Test Year, at present and proposed rates.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential				
5/8 x 3/4 inch	\$ 253,277	\$ 662,140	\$ 408,862	161.43%
1 inch	6,390	10,506	4,116	64.42%
1.5 inch	4,417	15,896	11,479	259.89%
Total Residential	\$ 264,084	\$ 688,542	\$ 424,458	160.73%
Commercial				
5/8 x 3/4 inch	\$ 9,996	\$ 28,286	\$ 18,290	182.97%
1 inch	1,844	19,201	17,357	941.29%
1.5 inch	1,855	6,461	4,606	248.31%
2 inch	4,017	7,898	3,881	96.61%
Total Commercial	\$ 17,712	\$ 61,846	\$ 44,134	249.18%
Total Metered Water Revenues	\$ 281,796	\$ 750,388	\$ 468,592	166.29%
Surcharge Revenue	\$ 14,517	\$ -	\$ (14,517)	-100.00%
Other Revenues	3,724	3,724	-	0.00%
Total Revenues	\$ 300,037	\$ 754,112	\$ 454,075	151.34%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

Explanation:
Schedule comparing present rate schedules with proposed
rate schedule.

(Note: Rates apply to both residential and commercial usage)

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE			
5/8" x 3/4" Meter	NA	\$ 20.14	NA
3/4" Meter	NA	50.35	NA
1" Meter	NA	50.35	NA
1-1/2" Meter	NA	100.70	NA
2" Meter	NA	161.12	NA
3" Meter	NA	322.24	NA
4" Meter	NA	503.50	NA
6" Meter	NA	1,007.00	NA

Commodity Charges Per 1,000 Gallons:

5/8 x 3/4 - inch meter

Tier one: 0 - 3,000 Gallons	NA	\$ 1.98
Tier two: 3,001 to 10,000 Gallons	NA	3.56
Tier three: All Gallons Over 10,000	NA	6.42

3/4 - inch meter

Tier one: 0 - 3,000 Gallons	NA	\$ 1.98
Tier two: 3,001 to 10,000 Gallons	NA	3.56
Tier three: All Gallons Over 10,000	NA	6.42

One - inch meter

Tier one: 0 - 10,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 10,000	NA	6.42

One and one half - inch meter

Tier one: 0 - 20,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 20,000	NA	6.42

Two - inch meter

Tier one: 0 - 20,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 20,000	NA	6.42

Three - inch meter

Tier one: 0 - 20,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 20,000	NA	6.42

Four - inch meter

Tier one: 0 - 20,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 20,000	NA	6.42

Six - inch meter

Tier one: 0 - 20,000 Gallons	NA	\$ 3.56
Tier two: All Gallons Over 20,000	NA	6.42

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	NA	\$ 35.00	NA
Establishment (After Hours)	NA	50.00	NA
Reconnection (Delinquent)	NA	35.00	NA
Reconnection (After Hours)	NA	50.00	NA
Meter Test (If Correct)	NA	25.00	NA
Meter Reread (If Correct)	NA	20.00	NA
NSF Check Charge	NA	25.00	NA
Deposit	*	*	NA
Deposit Interest (Per Annum)	*	*	NA
Deferred Payment (Per Month)	**	**	NA
Late Charge (Per Month)	**	**	NA
Re-establishment (Within 12 Months)	***	***	NA

MONTHLY SERVICE CHARGE**FOR FIRE SPRINKLER:** N/A *******SERVICE LINE AND METER INSTALLATION CHARGES**

Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates			% change
		Service Line	Meter Charge	Total Charge	
5/8" x 3/4" Meter	NA	\$ 430.00	\$ 130.00	\$ 560.00	NA
3/4" Meter	NA	430.00	230.00	660.00	NA
1" Meter	NA	480.00	290.00	770.00	NA
1-1/2" Meter	NA	535.00	500.00	1,035.00	NA
2" Meter - Turbine	NA	815.00	1,020.00	1,835.00	NA
2" Meter - Compound	NA	815.00	1,865.00	2,680.00	NA
3" Meter - Turbine	NA	1,030.00	1,645.00	2,675.00	NA
3" Meter - Compound	NA	1,150.00	2,545.00	3,695.00	NA
4" Meter - Turbine	NA	1,460.00	2,620.00	4,080.00	NA
4" Meter - Compound	NA	1,640.00	3,595.00	5,235.00	NA
6" Meter - Turbine	NA	2,180.00	4,975.00	7,155.00	NA
6" Meter - Compound	NA	2,300.00	6,870.00	9,170.00	NA

* Per Commission Rule AAC R-14-2-403(B).

** 1.50% of unpaid monthly balance.

*** Month off system times the monthly minimum per Commission rule AAC R14-2-403(D).

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

East Slope, Antelope Run, Indiada Consolidated
Test Year Ended December 31, 2009

REVISED Schedule: H-4
Title: Typical Bill
Analysis
Page 1 of 4

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

(Note: Rates apply to both residential and commercial usage.)

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

☒

☐

☐

☐

☐

☐

5/8" x 3/4" meter

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	NA	\$ 20.14	NA
1,000	NA	22.12	NA
2,000	NA	24.10	NA
3,000	NA	26.08	NA
4,000	NA	29.64	NA
5,000	NA	33.21	NA
6,000	NA	36.77	NA
7,000	NA	40.34	NA
8,000	NA	43.90	NA
9,000	NA	47.46	NA
10,000	NA	51.03	NA
13,000	NA	70.27	NA
15,000	NA	83.10	NA
20,000	NA	115.18	NA
25,000	NA	147.26	NA
50,000	NA	307.64	NA
75,000	NA	468.02	NA
100,000	NA	628.40	NA
125,000	NA	788.78	NA
150,000	NA	949.16	NA
175,000	NA	1,109.54	NA
200,000	NA	1,269.92	NA

Supporting Schedules:

East Slope, Antelope Run, Indiada Consolidated
Test Year Ended December 31, 2009

REVISED Schedule: H-4
Title: Typical Bill
Analysis
Page 2 of 4

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

(Note: Rates apply to both residential and commercial usage.)

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

1 inch meter

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	NA	\$ 50.35	NA
1,000	NA	53.91	NA
2,000	NA	57.48	NA
3,000	NA	61.04	NA
4,000	NA	64.61	NA
5,000	NA	68.17	NA
6,000	NA	71.73	NA
7,000	NA	75.30	NA
8,000	NA	78.86	NA
9,000	NA	82.43	NA
10,000	NA	85.99	NA
15,000	NA	118.07	NA
20,000	NA	150.14	NA
25,000	NA	182.22	NA
40,000	NA	278.45	NA
50,000	NA	342.60	NA
75,000	NA	502.98	NA
100,000	NA	663.36	NA
125,000	NA	823.74	NA
150,000	NA	984.12	NA
175,000	NA	1,144.50	NA
200,000	NA	1,304.88	NA

Supporting Schedules:

East Slope, Antelope Run, Indiada Consolidated
Test Year Ended December 31, 2009

REVISED Schedule: H-4
Title: Typical Bill
Analysis
Page 3 of 4

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

(Note: Rates apply to both residential and commercial usage.)

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

1.5 inch meter

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	NA	\$ 100.70	NA
1,000	NA	104.26	NA
2,000	NA	107.83	NA
3,000	NA	111.39	NA
4,000	NA	114.96	NA
5,000	NA	118.52	NA
6,000	NA	122.08	NA
7,000	NA	125.65	NA
8,000	NA	129.21	NA
9,000	NA	132.78	NA
10,000	NA	136.34	NA
15,000	NA	154.16	NA
20,000	NA	171.98	NA
25,000	NA	204.06	NA
50,000	NA	364.44	NA
75,000	NA	524.82	NA
100,000	NA	685.20	NA
125,000	NA	845.58	NA
150,000	NA	1,005.96	NA
175,000	NA	1,166.34	NA
200,000	NA	1,326.72	NA

Supporting Schedules:

East Slope, Antelope Run, Indiada Consolidated
Test Year Ended December 31, 2009

REVISED Schedule: H-4
Title: Typical Bill
Analysis
Page 4 of 4

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

(Note: Rates apply to both residential and commercial usage.)

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

2 inch meter

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	NA	\$ 161.12	NA
1,000	NA	164.68	NA
2,000	NA	168.25	NA
3,000	NA	171.81	NA
4,000	NA	175.38	NA
5,000	NA	178.94	NA
6,000	NA	182.50	NA
7,000	NA	186.07	NA
8,000	NA	189.63	NA
9,000	NA	193.20	NA
10,000	NA	196.76	NA
15,000	NA	214.58	NA
20,000	NA	232.40	NA
25,000	NA	264.48	NA
50,000	NA	424.86	NA
75,000	NA	585.24	NA
100,000	NA	745.62	NA
125,000	NA	906.00	NA
150,000	NA	1,066.38	NA
175,000	NA	1,226.76	NA
200,000	NA	1,387.14	NA

Supporting Schedules: